

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 L-03 FRB-03 OMB-01 ITC-01 SP-02  
USIA-06 AGRE-00 AID-05 CIAE-00 COME-00 INR-07 IO-13  
LAB-04 NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00 CIEP-01  
CEA-01 /068 W  
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R 221950Z DEC 76  
FM AMEMBASSY BRASILIA  
TO SECSTATE WASHDC 9269

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PASS TREASURY

E.O. 11652: N/A  
TAGS: EFIN, ETRD, BR  
SUBJECT: COUNTERVAILING DUTIES ON COTTON YARN

FOLLOWING IS THE TEXT OF A LETTER FROM  
FINMIN SIMONSEN TO TREASURY SECRETARY SIMON  
RECEIVED BY EMBASSY TODAY. (ORIGINAL BEING  
POUCHED).

QUOTE: DEAR BILL, I WOULD LIKE TO REQUEST  
YOUR SPECIAL ATTENTION TO THE PROBLEM OF  
COUNTERVAILING DUTIES INVESTIGATION ON COTTON  
YARN EXPORTED FROM BRAZIL.

ALL THE NECESSARY DATA FOR SUCH A DECISION,  
PARTICULARLY DATA REFERRING TO THE ACTUAL LEVEL  
OF TAX INCENTIVES WHICH COTTON YARN  
EXPORTING INDUSTRIES MAY UTILIZE, HAVE ALREADY  
BEEN SUBMITTED TO U.S. AUTHORITIES.

IN THE EVENT THAT A COUNTERVAILING DUTY  
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IS IMPOSED, I WOULD DEEPLY APPRECIATE YOUR  
EFFORTS TOWARDS THE WAIVER OF SUCH AN  
IMPOSITION, BEARING IN MIND THAT BRAZIL'S  
SHIPMENTS OF COTTON YARN ARE ALREADY CON-  
STRAINED BY VIRTUE OF THE U.S./BRAZIL TEXTILES  
AGREEMENT.

ACCORDING TO MY UNDERSTANDING, THE THREE PREREQUISITES FOR A WIVER BY U.S. LAW, HAVE BEEN COMPLIED WITH, AS FOLLOWS:

(A) APPROPRIATE STEPS WERE TAKEN IN ORDER TO SUBSTANTIALLY REDUCE THE ADVERSE EFFECT OF THE BOUNTY OR GRANT;

(B) A SUCCESSFUL TEXTILE AGREEMENT WAS ENTERED INTO WITH THE U.S., THE RESULT OF WHICH WILL BE THE REDUCTION OF BARRIERS OR OTHER DISTORTIONS OF INTERNATIONAL TRADE;

(C) THE IMPOSITION OF A COUNTERVAILING DUTY IS LIKELY TO SERIOUSLY JEOPARDIZE THE SATISFACTORY COMPLETION OF THE EXISTING TRADE AGREEMENT.

THE APPARENT DUAL PURPOSE OF THESE CONDITIONS IS TO FACILITATE TRADE NEGOTIATIONS AND TO PREVENT ADVERSE EFFECTS ON U.S. INDUSTRIES RESULTING FROM THE BOUNTY OR GRANT COMPLAINED OF WHILE THE NEGOTIATIONS ARE IN PROGRESS. AS YOU KNOW, THE TOPICS UNDER DISCUSSION IN GENEVA INCLUDE NOT ONLY BROADER TRADE AND TARIFF SUBJECTS, BUT ALSO ISSUES WHICH RELATE DIRECTLY TO THIS MATTER, EXPORT INCENTIVES IN THE DEVELOPING COUNTRIES AND RENEWAL OF THE MULTIFIBER AGREEMENT. IN LIMITED OFFICIAL USE

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ADDITION, THE TEXTILE AGREEMENT WHICH WE RECENTLY CONCLUDED PROVIDES FULL PROTECTION TO THE U.S. INDUSTRY FROM IMPORTS. IT SHOULD BE NOTED THAT THE EXISTENCE OF A COUNTERVAILING DUTY PETITION WAS A FACTOR IN THE AGREEMENT NOT TO RAISE THE QUOTA ON CATEGORIES 1 THROUGH 4, COTTON YARS, AND THAT THE CURRENT QUOTA PROVIDES FOR A LEVEL OF IMPORTS WHICH IS INSIGNIFICANT IN RELATION TO THE TOTAL MARKET. THEREFORE, BRAZILIAN COTTON YARN IMPORTS PRESENT NO THREAT OF ADVERSE EFFECT TO THE U.S. SPINNERS.

FURTHERMORE, WE HAVE ALWAYS POINTED OUT THAT BRAZIL'S EXPORT INCENTIVES DO NOT GIVE ANY ADVANTAGE TO BRAZIL'S EXPORTS WHICH CAN BE REGARDED AS UNFAIR. THEY PERMIT OUR EXPORTS TO ENTER WORLD MARKETS AT PRICES REFLECTING

THEIR REAL COMPARATIVE ADVANTAGE. TOTAL U.S.  
IMPORTS OF COTTON YARN REPRESENT AN  
INSIGNIFICANT PERCENT OF U.S.  
CONSUMPTION WHILE BRAZIL'S SHIPMENTS ARE  
A SIGNIFICANT PORTION OF THE TOTAL. IN  
LIGHT OF THE ABOVE FACTS AND CONSIDERING  
THE SERIOUS PROBLEMS WHICH A COUNTERVAILING  
DUTY WOULD POSE FOR BRAZIL, A DECISION BY  
THE U.S. GOVERNMENT TO IMPOSE COUNTER-  
VAILING DUTIES COUPLED WITH A REJECTION  
OF OUR REQUEST FOR A WAIVER WOULD HAVE  
EXTREMELY ADVERSE EFFECTS ON PUBLIC  
OPINION  
IN BRAZIL, PARTICULARLY IN VIEW OF THE  
NEGATIVE SOCIAL IMPACT IN A LABOR-INTENSIVE  
INDUSTRY SUCH AS COTTON YARN.

I WOULD GREATLY APPRECIATE RECEIVING  
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A REPLY WOLH YOUR VIEWS ON THIS MATTER AT  
YOUR EARLIEST CONVENIENCE.

GITH BEST REGARDS, SINCERELY YOURS

MARIO HENRIQUE SIMONSEN. UNQUOTE.  
CRIMMINS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
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**Disposition Approved on Date:**  
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